



# Spend Insights

"In 3Q14, small business owners' attitudes remained optimistic, though somewhat cautious. In an ongoing trend, more of them expect to increase card usage and more of them prefer cards over checks as the most efficient way to pay business expenses. To help drive this message home, we created the Visa Small Business Defining Success Program, which provides turnkey marketing materials that help you develop meaningful, impactful customer communications."

— Janet Zablock, Head of Global Small Business, Visa Inc.

## Findings at a glance

### Confidence in key areas climbs in 2013 and early 2014 but may be on the decline:

Attitudes about revenue, profits and the local economy had been increasingly positive throughout most of 2013 and into 2014. This trend appears to be losing momentum in the most recent quarter. However, in the same time period, outlooks on staying in business, rising taxes and the cost of healthcare continue to improve steadily. [Read more >](#)

### Small business owners track energy prices and the implications on their business:

Fewer respondents than ever before say they expect to spend more on energy in the near term. When the historically erratic nature of responses in this category is compared to actual energy prices, there appears to be a clear correlation. Given that energy is a significant business expense, small businesses are acutely aware of fluctuations in pricing. [Read more >](#)

**Concerns about consumer confidence seem inversely correlated with the actual consumer confidence:** Small business owners concerns about consumer confidence have been steadily increasing since 2012. However, according to the U.S. Index of Consumer Expectations for this same time period, consumer confidence has been steadily improving. This inverse correlation may indicate a fear that consumer confidence following the most recent recession is delicate and therefore vulnerable to influential market factors, such as potentially rising interest rates, inflation and the value of the dollar. [Read more >](#)

**Cash flow challenges may be driving increasing preference for credit cards:** Credit cards continued on a path to overtake checks as small business owners' preferred form of making payment. The historical dominance of cash flow as the top business concern combined with recent assertions that cards are the most efficient way to pay business expenses could be key drivers of this continued trend. [Read more >](#)

Visa® Small Business Spend Insights® combines quarterly survey results with Visa Business card spend data to provide a snapshot of your small business customers' economic confidence and operational needs.



### Top 5 Individual Concerns of 3Q14<sup>1</sup>

This quarter	Last quarter	A year ago
1 Attracting new customers	1 ~	3 ↑
2 Rising taxes	2 ~	3 ↑
3 Cost of health insurance	3 ~	1 ↓
4 Retaining existing customers	4 ~	4 ~
5 Managing cash flow	5 ~	5 ~

### Top 5 Macro-economic Concerns of 3Q14<sup>2</sup>

This quarter	Last quarter	A year ago
1 Decline in consumer confidence	1 ~	2 ↑
2 Possibility of increasing inflation	2 ~	4 ↑
3 Increase in energy prices	4 ↑	3 ~
4 Falling value of the dollar	3 ↓	1 ↓
5 Rising interest rates	5 ~	5 ~

<sup>1</sup>Q: Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

<sup>2</sup>Q: What major issue facing the economy most concerns you as a small business owner?

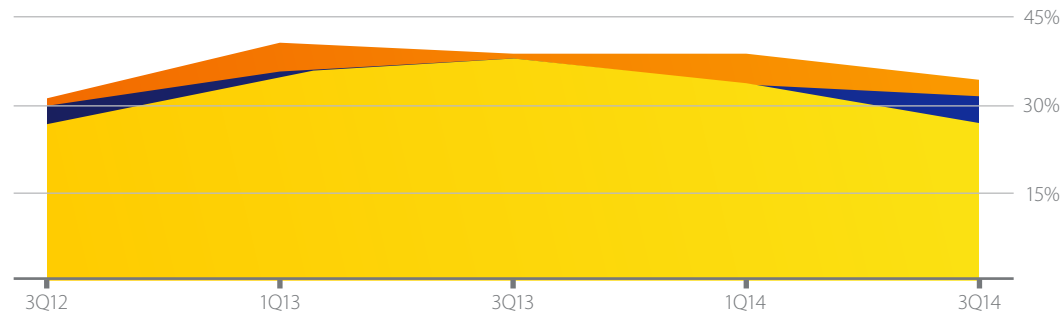
## Confidence in key areas climbs in 2013 and early 2014 but may be on the decline

Confidence around revenue, profits and the economy began to accelerate in 2013. It has dipped again recently. At the same time, responses around staying in business, taxes and the cost of health care all showed an improving outlook. We will continue to closely monitor this trend and it's implications over the next few quarters.

### Confidence gains, then loses momentum<sup>3</sup>

In 2013, confidence in these key areas rose quickly, but by 3Q14 returned to 2012 year-end levels.

- Confidence in revenue increase
- Confidence in greater profits
- Confidence in stronger local economy

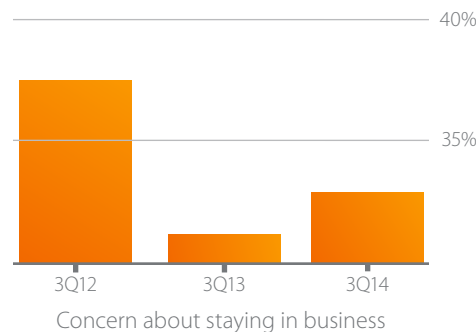


*"I just need the economy to pick up in a substantial way."*

— Retail

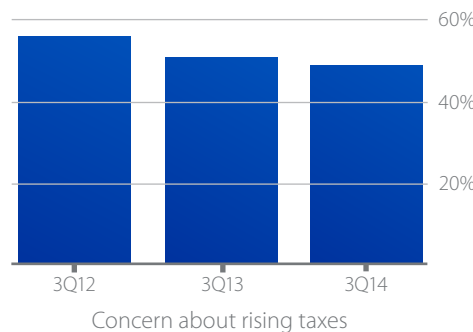
### Less concern about staying in business<sup>1</sup>

Small business owners' concern over staying in business, though up slightly from a year ago, is lower than in 3Q12.



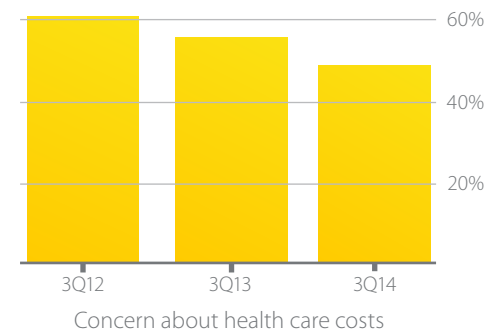
### Less concern over rising taxes<sup>1</sup>

Concern regarding taxes has declined steadily since 3Q12, reaching its lowest level ever for a third quarter reporting period.



### Less concern around health care costs<sup>1</sup>

With a double digit drop in concern, small business owners' attitudes about the cost of health care has improved significantly since 2012.



## Visa Spend Insight 1

While Visa Business cardholders increased overall spending by double digits year-over-year (YOY)\*, spending aimed at attracting new customers in categories like advertising and direct marketing services increased by just 4.4% over the same period. That represents the smallest growth since 1Q13. This recalibration of marketing spend may reflect a desire for improved return on marketing investment now that revenue and economic optimism has leveled off.

<sup>1</sup>Q: Now we would like to ask you about concerns that other small business people have mentioned. For each one, please indicate whether this is a critical concern, a major concern, a minor concern or no concern at all to your business.

<sup>3</sup>Q: Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

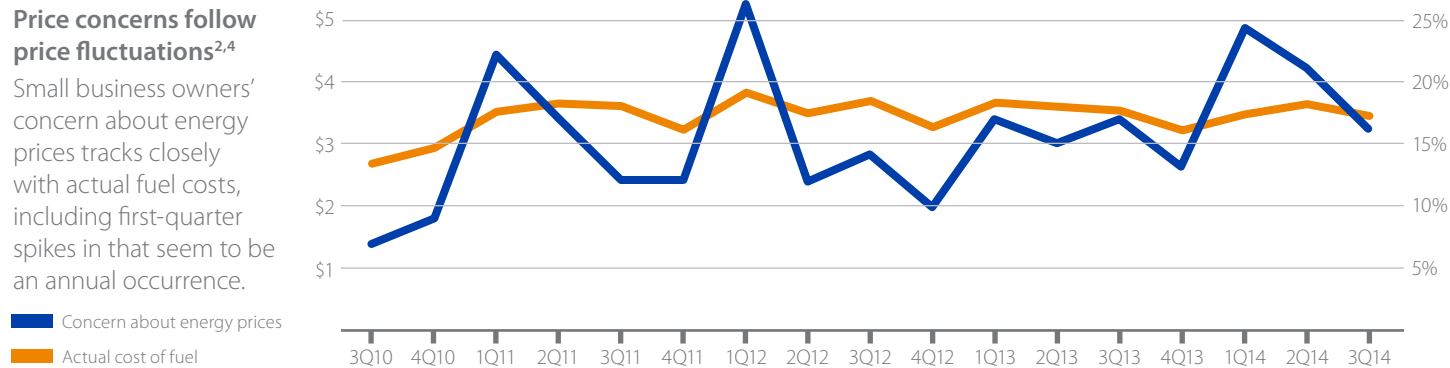
\*Analysis based on Visa Business card spend data between October 1, 2012 to September 30, 2013 and October 1, 2013 to September 30, 2014.

## Small business owners track energy prices and the implications on their business

Often among the top concerns of small business owners, energy price concerns have trended down this year. Based on historical responses, small business owners seem to keep a close eye on fuel costs, which are likely to have a significant impact on any business of any size. Responses around energy spending also show improving outlooks.

### Price concerns follow price fluctuations<sup>2,4</sup>

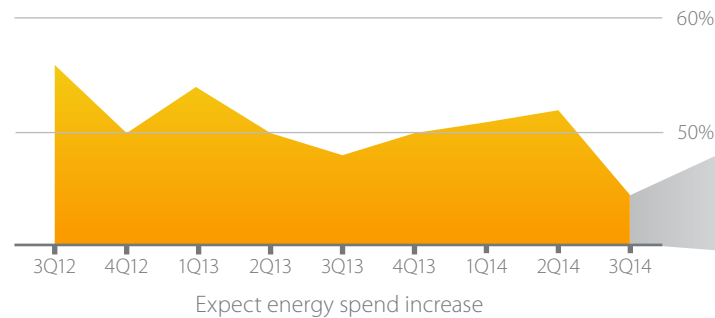
Small business owners' concern about energy prices tracks closely with actual fuel costs, including first-quarter spikes in that seem to be an annual occurrence.



"We need lower fuel costs and lower energy costs overall."  
— Manufacturing

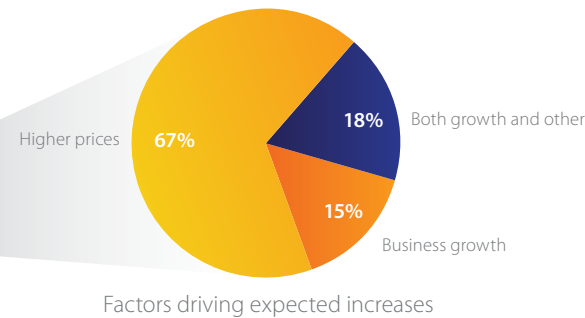
### Fewer energy spending increases expected<sup>3</sup>

The number of small business owners expecting to spend more on energy has fallen significantly since 3Q12, including a steep drop since last quarter.



### Factors driving expected increases<sup>5</sup>

Of the 45% of small business owners who expect to spend more on energy, most believe it will be due to market prices rather than business growth.



## Visa Spend Insight 2

Consistent with decreasing energy price concerns, Visa Business cardholders experienced a YOY decrease in average spend at automated fuel dispensers (down 0.9%) and service stations (down 2.6%). Contrast that with the spike in concern over energy prices during the 1Q13 reporting period, when average spend in these categories increased by 2.5% and 4.9% respectively.

<sup>2</sup>Q. What major issue facing the economy most concerns you as a small business owner?

<sup>3</sup>Q. Thinking of the business in which you are an owner, part-owner, partner or the financial decision maker please tell me how likely each of the following is to occur.

<sup>4</sup>Source: U.S. Energy Information Administration, Short-Term Energy and Winter Fuels Outlook (STEO), October 2014

<sup>5</sup>You mentioned that you expect your business will spend more on energy in the next six months. Is this because your business is growing or because you expect energy prices to increase?

## Concerns about consumer confidence seem inversely correlated with actual consumer confidence

Small business owner responses related to consumer confidence show a somewhat increasing concern from 2012 to the present, but the U.S. Index of Consumer Expectations shows a gradual increase in confidence. In the same time period, concern over interest rates, inflation and the value of the dollar has increased — a trend which could be impacting small business owners’ fears about a future decline in consumer confidence.



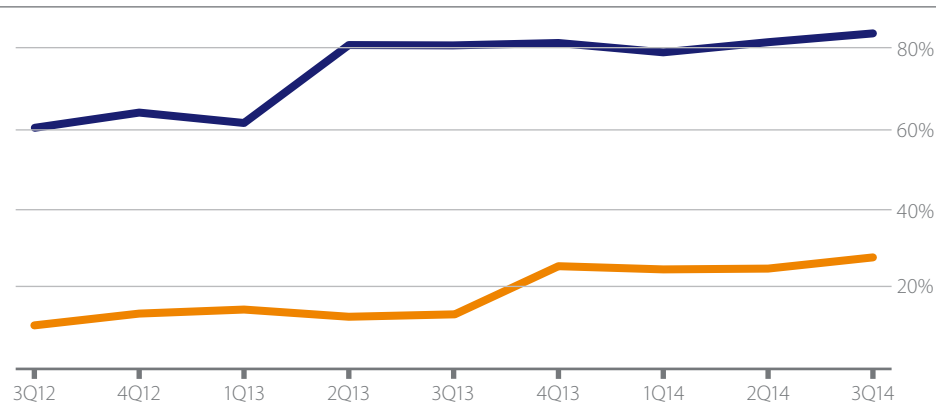
*“It’s the economy that most concerns me.”*

— IT services

### Consumer confidence vs. small business owner concern<sup>5,6</sup>

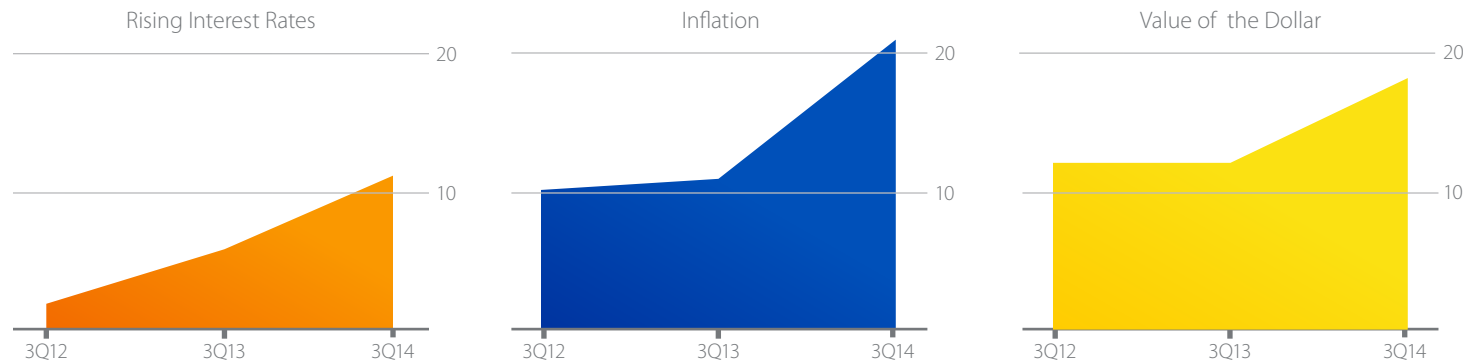
As consumer sentiment improves, small business owners seem to become more concerned about its impact on their business.

**■** Consumer Confidence Index  
**■** % of small business owners who say their primary economic concern is a decrease in consumer confidence



### Responses around key market factors show increasing concern<sup>2</sup>

Concerns about rising interest rates, inflation and the value of the dollar all rose from 3Q13.



### Visa Spend Insight **3**

Perhaps emboldened by stronger consumer confidence, Visa Business cardholders took the opportunity to improve their fixed assets, increasing YOY spend in categories related to small capital investments by 14.9%. That’s the largest increase in over two years of quarterly reporting periods.

<sup>2</sup>Q. What major issue facing the economy most concerns you as a small business owner?

<sup>5</sup>Q. What major issue facing the economy most concerns you as a small business owner?

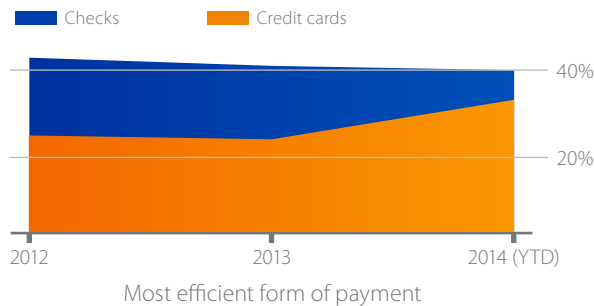
<sup>6</sup>Source: U.S. Index of Consumer Expectations, Thompson Reuters/University of Michigan, www.tradingeconomics.com

## Cash flow challenges may be driving increasing preference for cards

New data this quarter show small business owners are looking to address their ever-present cash flow concerns by improving cash flow efficiency. Meanwhile, responses around payment preferences indicate an increasing number believe cards are the most efficient payment method. These trends are likely driving small business owners' overall preference for cards.

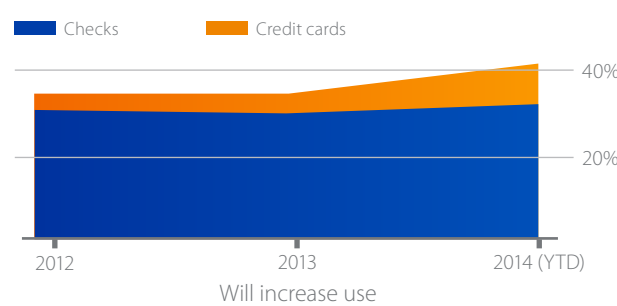
### Cards increasingly viewed as most efficient<sup>7</sup>

Preference for cards continues to gain on preference for checks.



### Business owners expect their card use to increase<sup>8</sup>

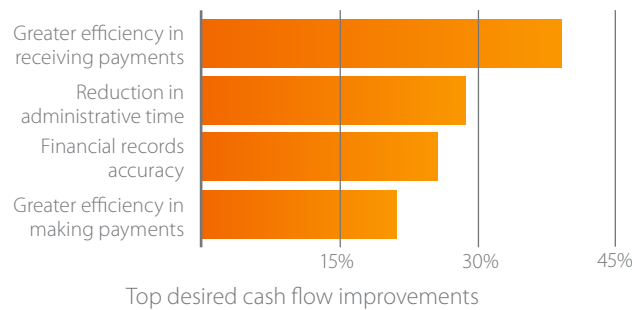
The convenience and efficiency of cards may lead more small business owners to choose them over checks in the future.



*"Cards have rewards and the high volume of business that gives us means big returns."*  
— Restaurant

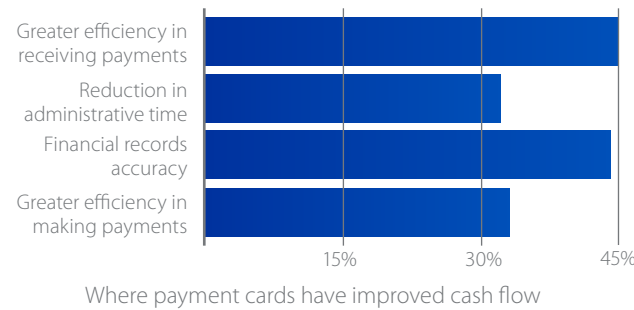
### Cash flow remains top process improvement desire<sup>9</sup>

Small business owners continue to indicate that cash flow management is the business challenge they'd most like to improve upon.



### Responses show cards are meeting needs<sup>10</sup>

Responses indicate cards are providing some of the efficiencies small business owners seek.



## Visa Spend Insight 4

Traditionally, utilities and taxes have not been heavy card payment categories. However, the convenience of cards has led to their increasing use by Visa Business cardholders as a payment method for utility and tax bills, with YOY spend up 22.2% and 38.7% in those categories respectively.

<sup>7</sup>Q: When making payments, which of the following is the best and most efficient payment tool for your business?  
<sup>8</sup>Q: Among these payment tools, which ones will you more likely increase usage of over the next 6 months?  
<sup>9</sup>Q: In what areas would you like to further improve your cash flow management process?  
<sup>10</sup>Q: In what areas have payment cards improved your cash flow management process?

# Support Visa Business cardholders on their Journey to success

Based on 3Q14 responses, cash management concerns seem to be leading more small business owners away from check payments and toward expanded use of credit cards. This trend is likely to continue as business owners experience the positive impact that cards can have on payment efficiency, financial reporting and paperwork.

## Promote the advantages of your Visa Business card

As the check-to-card transition continues, the opportunity to increase spend among your Visa Business cardholders is substantial. In fact, small businesses spend \$5.5 trillion annually with \$4.1 trillion via checks.

The advantages of using cards are already driving a shift in preference and, by promoting these benefits, you can drive meaningful increases in usage.

Business advantages	Checks	Visa Business cards
> Rewards for business spending	✗	✓
> Improved payment flexibility with access to capital	✗	✓
> Enhanced fraud protection with Visa Zero Liability <sup>11</sup>	✗	✓
> Online reporting tools to reduce recordkeeping time	✗	✓
> Ability to pay online for added flexibility	✗	✓



Visa has developed the Small Business Defining Success Program to help you communicate these benefits — and capture your share of the check-to-card conversion opportunity. Download a range of turnkey marketing materials to build your campaign at [VisaOnline.com](http://VisaOnline.com)

For additional information, visit [visa.com/business/yoursuccess](http://visa.com/business/yoursuccess).

<sup>11</sup>Visa's Zero Liability Policy covers U.S.-issued cards and does not apply to certain commercial card transactions or any transactions not processed by Visa. You must notify your financial institution immediately of any unauthorized use. For specific restrictions, limitations and other details, please consult your issuer.

### Small business resources

Small businesses that seek solutions to help manage their business can turn to Visa Business for support. For information about Visa's small business solutions, visit [visa.com/business.com](http://visa.com/business.com)

### Additional resources:

For more small business resources to grow your business, go to Visa Small Business Resource Center at [usa.visa.com/business/resource\\_center/index.html.com](http://usa.visa.com/business/resource_center/index.html.com)

Connect with Visa for up-to-the-minute tips, tools and more at [facebook.com/visasmallbiz](https://facebook.com/visasmallbiz) or [twitter.com/visasmallbiz.com](https://twitter.com/visasmallbiz.com)

### About Spend Insights methodology

Visa Small Business Spend Insights monitors the economic confidence of small business owners by cross-referencing actual behavior spend data with responses to a quarterly survey exclusively commissioned from TNS by Visa. This study of businesses with \$50,000–\$25,000,000 in annual revenue was based on small business survey data from April 2007 through September 2014 and also consists of 601 interviews conducted between September 4–10, 2014.

**NOTE:** This survey is in no way meant to represent or reflect the true nature of the economy. Rather, it is presented as an additional data set meant to help the reader gather information and develop an informed conclusion.

\*Analysis based on Visa Business card spend data between October 1, 2012 to September 30, 2013 and October 1, 2013 to September 30, 2014.

\*\*Analysis based on Visa Business card spend during reporting periods that include 12 months beginning July 1 and ending June 30 the following year.